

**City of Ithaca
Ithaca, Michigan**

**Financial Statements
June 30, 2022**



Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ithaca

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in the notes to the financial statements, during 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

November 29, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**





Management's Discussion and Analysis

As management of the City of Ithaca, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2022. This management's discussion and analysis (MD&A) is intended to assist in focusing on significant financial issues and to provide an overview of the City's financial activity.

This annual financial report is presented in conformity with the requirements of GASB (Governmental Accounting Standards Board) Statement No. 34. GASB is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States. The basic financial statements include two types of statements that present different views of the City. The first statements are *government-wide financial statements* that provide both short-term and long-term information about the City's financial position. The remaining statements are *fund financial statements* that focus on individual sections of the City's operations. The City encourages readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The net position of the City is the amount by which the City's assets exceed its liabilities. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2022, the end of the fiscal year, by \$10,908,281 (*net position*). Of this, \$3,159,608 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$57,798. This resulted from a decrease in net position of the governmental activities of \$190,449 and an increase in net position of business activities by \$132,651.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$3,826,616. This is a net increase of \$352,081 from the prior year. Of the total fund balance for governmental funds, \$1,591,247 is available for spending at the City's discretion (unassigned fund balance) and \$2,235,369 is constrained for specific purposes by constitutional provision or enabling legislation (restricted fund balance.)
- The City's long-term debt consists of compensated absences for full-time employees and the outstanding enterprise fund bonded indebtedness for water and sewer system improvements. A detailed schedule of the City's long-term obligations can be found in the *Notes to the Financial Statements*.



Management's Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of five components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements 3) Fiduciary Funds; 4) Component Units; and 5) Notes to the Financial Statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as the net position. Over time, increases or decreases in the net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All of the city's revenues and expenses are reported based on when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cashflows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements are divided into three categories:

- *Governmental Activities* – The majority of the City's basic services are included here and are principally supported by taxes and intergovernmental revenues. The governmental activities of the city include general government, public safety, streets, library, parks, cemetery, economic development and other.
- *Business-type Activities* – The City charges user fees and charges to customers to essentially cover the costs of providing certain services. The City's water supply and sanitary sewer disposal systems are included here.
- *Component Units* – The City (known as the *primary government*), also has a legally separate authority for which the City is financially accountable. The Downtown Development Authority (DDA) is a separate authority and its financial information is reported here.

The government-wide financial statements can be found on pages 1-2 of this report.



Management's Discussion and Analysis

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the inflow and outflow of cash and other spendable resources, and the balance left at year-end that is available for spending. The governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer resources that can be spent in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds for budgetary purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major and Local Streets, Library, Economic Development and Grant Program funds, each of which are considered to be major funds. Data from the non-major governmental funds are combined in a single-column presentation on the governmental funds statement. Individual fund data for each of these non-major governmental funds is provided in the combining statements in the *Other Supplementary Information* section of this report.

The City adopts annual appropriated budgets for its general and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets. These can be found in the required supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

- **Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sanitary sewage collection and disposal systems. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment fund (motor pool operations). The services of the equipment fund predominantly benefit



City of Ithaca, Michigan

Management's Discussion and Analysis

governmental rather than business-type functions, and are included in their entirety within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the city.

The proprietary fund financial statements can be found on pages 7-9 of this report.

➤ ***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties *outside* the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10-11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 14-33 of this report.

Required Supplementary Information

The city is required to present supplementary information related to the city's progress in funding its obligation to provide retirement benefits to its employees and budget-to-actual presentation for the general fund and major special revenue funds.

This supplementary information can be found on pages 34-43 of this report.

Other Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain supplementary information including the combining statement referred to earlier in connection with non-major governmental funds. Combining and individual fund statement and schedules follow the notes to the financial statements.

This information can be found on pages 44-45 of this report.

Component Unit

Individual component unit financial statements can be found on pages 12-13 of this report.



City of Ithaca, Michigan

Management's Discussion and Analysis

Government-Wide Financial Analysis

The *Statement of Net Position* provides an overview of the City's assets, liabilities and net position. As previously mentioned, this provides a good indicator of the City's fiscal health. On the next page is a summarized version of the Statement of Net Position that provides a perspective of the financial position of the City as a whole as of June 30, 2022.

The total net position of the City for Fiscal Year end June 2022 is \$10,908,281. However, \$5,513,304 represents its investment in capital assets net of related debt (i.e., land, buildings, furniture & fixtures, equipment, vehicles, water & sewer systems), with 72.03% (\$3,971,755) being the water supply and sewage disposal systems' infrastructure. These assets are used to provide services to residents, but are not available for future spending nor can they be liquidated to eliminate their related liabilities.

Of the more liquid assets, \$2,235,369 represents resources and funds that have external restrictions on how they may be used. These assets are held for street maintenance & operations, library operations, reserves, and perpetual care of the city cemetery. The city may use the remaining balance (unrestricted net position) of \$3,159,608 for ongoing obligations to residents and creditors. The total net position for the year decreased by \$57,798 and was discussed earlier in this document.

City of Ithaca, Michigan Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$5,933,935	\$5,208,702	\$ 1,864,463	\$ 2,084,436	\$ 7,798,398	\$ 7,293,138
Land	181,681	181,681	37,621	57,976	219,302	239,657
Capital Assets (net of depreciation)	1,359,868	1,998,422	7,079,057	6,855,880	8,438,925	8,854,302
Total Assets	7,475,484	7,388,805	8,981,141	8,998,292	16,456,625	16,387,097
Deferred Outflows:						
Deferred outflow-Pension related	104,659	139,430	69,772	92,953	174,431	232,383
Total Deferred Outflows	104,659	139,430	69,772	92,953	174,431	232,383
Liabilities:						
Long-Term Debt	37,735	44,522	3,043,137	3,174,862	3,080,872	3,219,384
Net Pension Liability	885,369	1,024,997	590,247	683,332	1,475,616	1,708,329
Other Liabilities	400,375	421,683	197,660	204,878	598,035	626,561
Total Liabilities	1,323,479	1,491,202	3,831,044	4,063,072	5,154,523	5,554,274
Deferred Inflows:						
Deferred inflows-Pension related	148,044	59,476	98,696	39,651	246,740	99,127
Deferred inflows-Lessor Activity	321,512	0	0	0	321,512	0
Total Deferred Inflows	469,556	59,476	98,696	39,651	568,252	99,127
Net Position:						
Invested in capital assets, net of related debt	1,541,549	2,180,103	3,971,755	3,637,271	5,513,304	5,817,374
Restricted	2,235,369	2,215,139	0	0	2,235,369	2,215,139
Unrestricted	2,010,190	1,582,315	1,149,418	1,351,251	3,159,608	2,933,566
Total Net Position	5,787,108	5,977,557	5,121,173	4,988,522	10,908,281	10,966,079



City of Ithaca, Michigan

Management's Discussion and Analysis

The following table shows the changes in net position:

City of Ithaca, Michigan Change In Net Position							
	Governmental Activities		Business-Type Activities		Total		
	2022	2021	2022	2021	2022	2021	
REVENUES:							
Program Revenues:							
Charges for Services	\$ 95,380	\$ 245,735	799,710	785,621	895,090	1,031,356	
Grants and Contributions	805,026	621,252	33,753	2,272	838,779	623,524	
General Revenues:							
Property Taxes	1,311,236	1,283,600	237,864	239,947	1,549,100	1,523,547	
State-Shared Revenues	520,149	392,482	0	0	520,149	392,482	
Investment Earnings	114,439	66,141	2,693	5,856	117,132	71,997	
Gain on Disposal of Capital Asset	2,039	22,394	0	0	2,039	22,394	
Transfers	-106,370	2,377	110,000	0	3,630	2,377	
Other	221,916	226,919	15,456	16,276	237,372	243,195	
Total Revenues	2,963,815	2,860,900	1,199,476	1,049,972	4,163,291	3,910,872	
EXPENSES:							
General Government	799,901	657,835	0	0	799,901	657,835	
Public Safety	621,057	979,093	0	0	621,057	979,093	
Public Works	578,570	714,860	0	0	578,570	714,860	
Rec./Cultural/Econ. Dev.	404,504	319,981	0	0	404,504	319,981	
Water and Sewer	0	0	1,066,825	1,064,055	1,066,825	1,064,055	
Total Expenses	2,404,032	2,671,769	1,066,825	1,064,055	3,470,857	3,735,824	
Change in Net Position	559,783	189,131	132,651	(14,083)	692,434	175,048	
Special Item-Fire/Res Transfer	-750,232	0	0	0	-750,232	0	
Net Position – July 1 restated	5,977,557	5,788,426	4,988,522	5,002,605	10,966,079	10,791,031	
Prior Period Adjustment	0	0	0	0	0	0	
Net Position – June 30	5,787,108	5,977,557	5,121,173	4,988,522	10,908,281	10,966,079	

Governmental Activities: The City's total governmental revenue is reported at \$2,963,815, an increase of \$102,915 from the prior fiscal year. Total expenses decreased \$267,737 from the prior fiscal year. This is primarily due to grant projects and the separation of the fire and rescue from the city into the newly formed GESA authority.

Business-type Activities: The City's total business-type revenue is reported at \$1,199,476, an increase of \$149,504 from the prior fiscal year. Total expenses increased by \$2,770 from the prior fiscal year, netting an overall increase of \$146,734 for business-type activities. This is primarily due to receiving \$110,000 of ARPA grant funds for the purchase of the new sewer vacuum truck.



Management's Discussion and Analysis

Government Funds

The City's major funds' presentations begin on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the city as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as economic development or the State of Michigan Act 51 street revenue sharing.

General Fund: The General Fund receives all city revenue not designated for specific use by state statutes or the City Charter and accounts for most of the services provided to residents. Such as public safety, assessing, public works, parks, cemetery, etc.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. The special revenue funds of the city include:

- **Major and Local Street Funds** – These are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, of 1951 as amended. Gas and weight taxes are distributed to cities and villages in Michigan based on population and the number of miles of street located within the jurisdictional limits.
- **Library Fund** – These funds account for the receipt and expenditures of state penal fines, local millage, and state shared aid for the operation of the city owned Thompson Home Public Library.
- **Fire and Rescue Funds** – These funds account for the receipt and expenditures from the city general fund and contracts with six townships for fire protection and first responder services. These funds were closed during the fiscal year due to the city partnering with the contracted townships to form the Gratiot Emergency Services Authority.
- **Economic Development** – This fund is used to account for the repayment of loans made to businesses which originated from State funds after the downtown fire in the 1980's and for expenditures used to further the city's economic vitality.
- **Grant Program Fund** – This fund is used to account for the receipt and expenditures of federal, state and local grants received and their project activity.



City of Ithaca, Michigan

Management's Discussion and Analysis

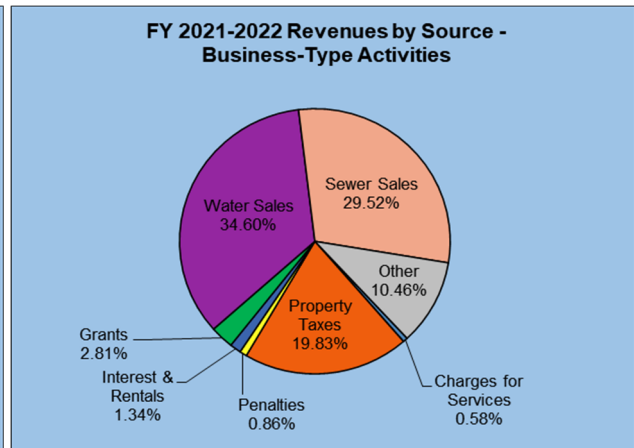
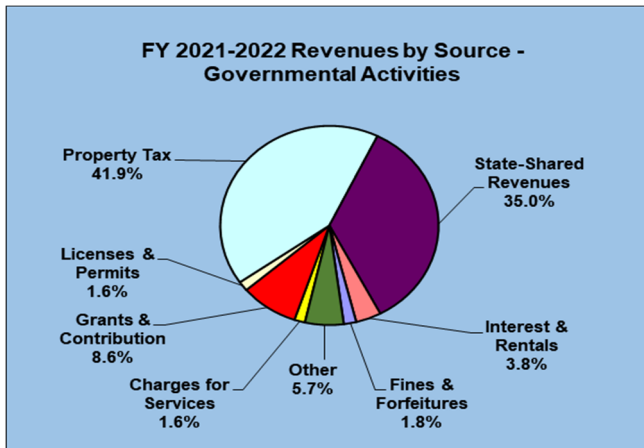
Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the city is to provide goods or services to the general public on a continuing basis that is financed or recovered primarily through user fees or charges, or where the intent of the city is that periodic determination of net income is appropriate for accountability purposes. The enterprise fund of the city are the Water and Sewer fund which is used to account for the costs of providing water and sanitary sewer services to city residents, businesses and users of the systems.



Management's Discussion and Analysis

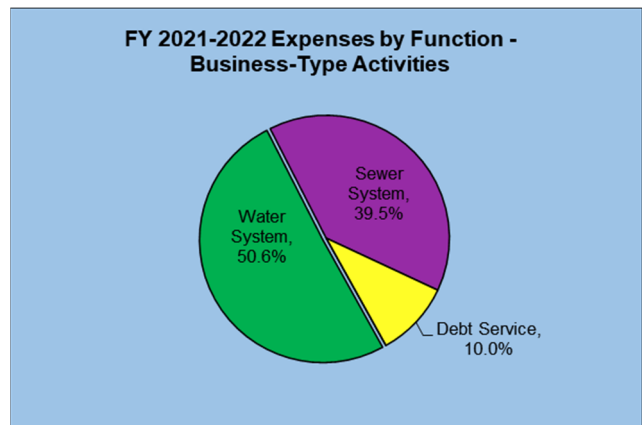
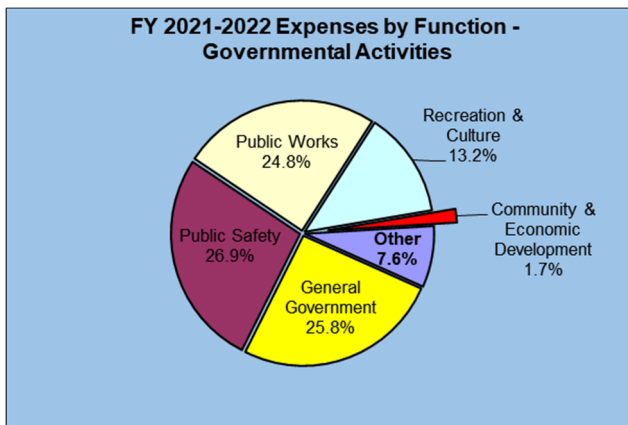
Budgetary Highlights

The majority of the City's budget in FY 2021-2022 was based on four main revenue sources: *property taxes, charges for utility services, grants & contributions and state-shared revenues*. Ithaca has a conservative fiscal philosophy in being good stewards of the public's money. This philosophy has translated into preparing for economic challenges while maintaining the solid foundation of our operations.



The City remains conservative in working to maintain positive fund balances, even in the face of challenges such as the increasing loss of personal property taxes (PPT) and the loss of real property taxes due to tax exemptions and abatements, unfunded state mandated infrastructure updates, aging infrastructure and increased material and supply cost due to the following of the COVID pandemic.

The General Fund budget, the largest of the governmental funds, was originally projected to have a decrease in fund balance by \$19,377, however due to the delay in the renovation for energy efficiencies to City Hall, the Community Center and other amendments, the amended budget projected an increase of \$197,739. During the year, the General Fund budget expenditures were underspent by \$101,392 and revenues were more than anticipated by \$68,825 when comparing budget to actual, resulting in an actual increase to the fund balance of \$331,851.





Management's Discussion and Analysis

Capital Assets

At June 30, 2022, the City of Ithaca had \$8,658,227 invested in a wide range of capital assets, including land, buildings, infrastructure, equipment, vehicles, improvements, furniture and the water and sewer systems. At June 30, 2021 this total was \$9,093,959. To note: the city is considered a Phase 3 Government, as defined by GASB 34, and as so, has elected to not retroactively apply the reporting of major general infrastructure assets such as roads, storm drains, bridges, etc. Additional information about the city's capital assets can be found in the Notes to Financial Statements in Note 4 and Note 7 on pages 23 and 29 respectively.

Long-Term Debt

At June 30, 2022, the City had total long-term debt outstanding (not including net pension liability) of \$2,905,949. Of this amount, \$2,845,000 is bonded debt which is backed by the full faith and credit of the city. The remaining \$60,949 is compensated absences for city personnel. Additional information about the City's long-term indebtedness can be found in the Notes to Financial Statement in Note 5 on page 24 of this report.

The city maintains an A1 rating from Moody's Investor's Services for its general obligation bonds. The full Issuer Annual Comment report can be obtained from the City Treasurer.

Economic Forecast

National Debt and Inflation

The current national debt as of October 2022 is approximately \$31.2 trillion dollars, up around 2.3 trillion from the previous year, when it was around 28.9 trillion U.S. dollars in October 2021. After record low interest rates during the Covid-19 Pandemic, we are now seeing a steady hike in rates. The federal government is hoping to cool down the price of inflation and the rising cost of living. We have seen gas prices rise about 17.5% and groceries 13.5% this past year.

Covid-19 Global Pandemic and Its' continued Effect on Local Government

While we seem to be past the gathering limits and mask mandates (in most places), there are still lingering effects of Covid-19 and the fallout it presents. It is still very difficult to obtain contractors for local infrastructure and building projects at an affordable price. Case in point is the City of Ithaca's LCR (Lead/Copper Replacement) project that had bids come in four times greater than estimated causing the city to go back to the drawing board. The city is also seeing difficulties in ordering equipment with long lead times and earlier commitment periods, due to the limited supply chain.



City of Ithaca, Michigan

Management's Discussion and Analysis

Ithaca Economy

Local Business

The City of Ithaca has seen a few new businesses open this year, along with some exciting renovations and remodels. Realistic Rejuvenation offering aesthetic medicine, Creative Moments, a diverse consignment shop, and Captured Memories, a photography studio are businesses that opened up in our Downtown District this past year.

Pioneer Quick Lube bought the business of J Lube, and Great Lakes Family Restaurant is now home to the old Burger King and they have been renovating over that last few months in order to get the building in line with their needs.

Commercial Bank and E&S Graphics have done major renovations of their own on the interior of their buildings. The city has joined in this year with renovations to the Ithaca Community Center and City Hall creating fresh new looks at both buildings and will soon house a completely renovated council chambers.

In the Industrial District, Misenhelder Welding built an addition to increase production and equipment storage space along with a new entryway. The addition helped create two new jobs for the business. Trinity Truck and Trailer bought the building in the Industrial Park formerly known as Doc's Storage increasing their production and storage space.

Ithaca Highschool saw a major project that is already bringing a great deal of excitement and new people to the city. A private donor built a new turf athletic field know as Veteran's Memorial Field at Ithaca Community Stadium. The field is a continuation of the stadium project that started several years ago, and included a new entrance, and bleachers along with other features. The initial phase was highlighted by a massive jumbotron. The new turf field offers the school the opportunity to host state sponsored tournament games that they could not otherwise. They recently held their first semi-final football game that brought thousands of people to Ithaca and through our business district. Future phases of this project will see the school hosting games of other schools within Gratiot County along with a scholarship program designated for each of those same schools, in addition to these state sanctioned events.

Grant/American Rescue Plan (ARPA) Funds

The city purchased materials for the lead/copper replacement project with our own ARPA Funds and those granted to us by the County of Gratiot. Due to the high bids of contractors on the replacement service, the city DPW crew is pushing forward completing replacements on our own as best we can. We plan to revisit the contractor avenue to help with this project when the market softens, and their services are a little more affordable. In the meantime, the city will continue plugging away to get as many completed as possible. The city was also able to purchase a new sewer vacor truck with a combination of saved funds and county grant funds. This truck system replaces the 2006 vacor truck.



City of Ithaca, Michigan

Management's Discussion and Analysis

Ithaca was again awarded \$4,250 for the Source Water Protection Grant that will go towards helping protect our clean water sources and to educate the public about where their water originates and how best to ensure it remains healthy.

The city also secured a \$75,000 grant from Gratiot County Parks and Recreation for the Senior Activity Building Board. The grant money was used to fund new pickle ball courts in Atkinson Park at the Senior Center.

Challenges

The City of Ithaca is still dealing with two state-mandated, unfunded projects, including the previously reported lead/copper replacement (LCR) and the city owned former landfill on East Washington Road.

The former landfill was designated as a Per- and polyfluoroalkyl substances (PFAS) site by the Michigan Department of Environment, Great Lakes & Energy (EGLE). PFAS are widely used, long lasting chemicals, components of which break down very slowly over time. Because of their widespread use and persistence in the environment, many PFAS are found in the blood of people and animals all over the world and are present at low levels in a variety of food products and in the environment. Over this past year, our environmental consultant SME has completed testing of water run-off and water flow direction. We have submitted the results to EGLE and are awaiting their direction on any remediation or monitoring actions.

Infrastructure

As the city's DPW crew continue to perform LCR projects around the city, we are tying LCR whenever we are scheduled to perform water main replacements or other infrastructure work. This summer we replaced the water main on Nelson St. and the LCR on that block, before resurfacing the street. This strategy helps to alleviate unnecessary cuts in new roads when completing the LCR project.

Public Safety and Transportation

The city's contract with the Gratiot County Sheriff's Department for law enforcement services was renewed this past year for another two years. This contract with the County affords the residents of Ithaca 24 hour/7 days a week police service. The partnership still provides a cost savings to the city in lieu of funding its own department.



City of Ithaca, Michigan

Management's Discussion and Analysis

Authority Update

GESA (Gratiot Emergency Services Authority) and SLIPR (St. Louis, Ithaca, Pine River) Transportation Authority are, now, in their second year and going strong.

GESA went out for its first voted millage this past year within the incorporating municipalities and saw it pass overwhelmingly. The new authority initially ran off the same funding formula as in the past on a cost share between the City of Ithaca and the townships of Arcada, Emerson, Lafayette, North Star, Newark, and New Haven that the Ithaca Fire/Rescue Department served. It now, will operate off its' own millage and save the City of Ithaca around \$90,000 per year that can be earmarked for other needs in the city. This past year GESA has also managed to take on the Perrinton Fire/Rescue Department and the areas in Gratiot County that they serve. This was a big endeavor that focuses on the need for collaboration among neighboring entities and working together for the common good.

SLIPR and Alma Transit are moving along in their second year of partnership. The rides in Ithaca (inbound and outbound) continue to increase on a quarterly basis. Alma transit is now researching the possibility of taking their service county wide. This would prove to enhance the mobility of Ithaca residents and increase our businesses customer base immensely.

City Employment

The city's new structure within our DPW Department, having separate Water/Sewer and Public Work Department Superintendents is working very well for us. We did have some struggles obtaining and maintaining seasonal help which seems to be in line with what other municipalities and the private sector are dealing with when it comes to part time or seasonal staffing.

City Election and City Council

In August of 2022, Mayor Alice Schafer passed away. Mayor Pro-Tem Brett Baublitz was sworn in and will fulfill the remainder of the two-year term which ends in November 2023. The City Council appointed Rick Koppleberger as the Mayor Pro-Tem. The vacated Councilperson seat was filled by the City Council with the appointment of Robert Endter who will fulfill the remainder of term which also ends in November 2023.



City of Ithaca, Michigan

Management's Discussion and Analysis

Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives and expends. Questions about this report or additional financial information should be addressed to the City Clerk-Treasurer at:

City of Ithaca
129 W. Emerson Street
Ithaca, Michigan 48847-1017

Phone: (989) 875-3200 x 305
Facsimile: (989) 875-4064
Website: www.ithacami.com

Jamey Conn

Jamey Conn
City Manager
manager@ithacami.com

Barbara Fandell

Barbara Fandell, ACPFA MiCPT
City Clerk-Treasurer
bfandell@ithacami.com

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



City of Ithaca
Statement of Net Position
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,506,770	\$ 1,056,567	\$ 3,563,337	\$ 7,098
Investments	1,744,625	289,124	2,033,749	21,356
Accounts receivable	30,592	208,433	239,025	-
Property taxes receivable	1,122,926	239,832	1,362,758	-
Lessor receivable	331,414	-	331,414	-
Due from other governments	152,745	2,125	154,870	-
Due from agency fund	1,000	-	1,000	-
Inventories	-	68,382	68,382	-
Noncurrent assets				
Long term notes receivable	43,863	-	43,863	-
Capital assets not being depreciated	181,681	37,621	219,302	-
Capital assets being depreciated, net	1,359,868	7,079,057	8,438,925	-
Total assets	7,475,484	8,981,141	16,456,625	28,454
Deferred Outflows of Resources				
Related to pension	104,659	69,772	174,431	-
Liabilities				
Accounts payable	60,438	35,883	96,321	185
Accrued liabilities	11,340	3,967	15,307	-
Accrued interest	-	28,713	28,713	-
Unearned revenue	321,938	-	321,938	-
Compensated absences, due within one year	6,659	4,097	10,756	-
General obligations payable, due within one year	-	125,000	125,000	-
Noncurrent liabilities				
Bond premium, net of amortization	-	174,923	174,923	-
Compensated absences, due beyond one year	37,735	23,214	60,949	-
General obligations payable, due beyond one year	-	2,845,000	2,845,000	-
Net pension liability	885,369	590,247	1,475,616	-
Total liabilities	1,323,479	3,831,044	5,154,523	185
Deferred Inflows of Resources				
Related to pension	148,044	98,696	246,740	-
Related to lessor activity	321,512	-	321,512	-
Total deferred inflows of resources	469,556	98,696	568,252	-
Net position				
Net investment in capital assets	1,541,549	3,971,755	5,513,304	-
Restricted	2,235,369	-	2,235,369	-
Unrestricted	2,010,190	1,149,418	3,159,608	28,269
Total net position	\$ 5,787,108	\$ 5,121,173	\$ 10,908,281	\$ 28,269

City of Ithaca
Statement of Activities
For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities							
General government	\$ 799,901	\$ 91,944	\$ 260,843	\$ (447,114)	\$ -	\$ (447,114)	\$ -
Public safety	621,057	-	-	(621,057)	-	(621,057)	-
Public works	578,570	-	536,696	(41,874)	-	(41,874)	-
Community and economic development	73,767	-	-	(73,767)	-	(73,767)	-
Recreation and cultural	330,737	3,436	7,487	(319,814)	-	(319,814)	-
Total governmental activities	2,404,032	95,380	805,026	(1,503,626)	-	(1,503,626)	-
Business-type activities							
Water and Sewer	1,066,825	799,710	33,753	-	(233,362)	(233,362)	-
Total primary government	<u>\$ 3,470,857</u>	<u>\$ 895,090</u>	<u>\$ 838,779</u>	(1,503,626)	(233,362)	(1,736,988)	-
Component units							
Downtown Development Authority	<u>\$ 7,222</u>	\$ -	\$ -	-	-	-	(7,222)
General revenues							
Property taxes				1,311,236	237,864	1,549,100	-
State funding				520,149	-	520,149	-
Unrestricted investment earnings				114,439	2,693	117,132	63
Gain on disposal of capital assets				2,039	-	2,039	-
Transfers to water and sewer				(110,000)	110,000	-	-
Transfers to component unit				3,630	-	3,630	(3,630)
Other revenues				221,916	15,456	237,372	7,710
Total general revenues				<u>2,063,409</u>	<u>366,013</u>	<u>2,429,422</u>	<u>4,143</u>
Change in net position				559,783	132,651	692,434	(3,079)
Special item - fire & rescue transfer				(750,232)	-	(750,232)	-
Net position, beginning of year				<u>5,977,557</u>	<u>4,988,522</u>	<u>10,966,079</u>	<u>31,348</u>
Net position, end of year				<u>\$ 5,787,108</u>	<u>\$ 5,121,173</u>	<u>\$ 10,908,281</u>	<u>\$ 28,269</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS



City of Ithaca
Balance Sheet - Governmental Funds
June 30, 2022

	Major Funds						Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Major Street	Local Street	Economic Development	Library	Grant Projects		
Assets								
Cash and cash equivalents	\$ 643,245	\$ 416,902	\$ 291,385	\$ 55,412	\$ 307,460	\$ 324,260	\$ 256,496	\$ 2,295,160
Investments	902,959	310,160	205,092	-	189,317	-	137,097	1,744,625
Accounts receivable	11,189	-	-	-	-	-	-	11,189
Notes receivable	-	-	-	43,863	-	-	-	43,863
Lessor receivable	331,414	-	-	-	-	-	-	331,414
Due from agency fund	1,000	-	-	-	-	-	-	1,000
Due from other governments	69,458	65,318	17,969	-	-	-	-	152,745
Total assets	\$ 1,959,265	\$ 792,380	\$ 514,446	\$ 99,275	\$ 496,777	\$ 324,260	\$ 393,593	\$ 4,579,996
Liabilities								
Accounts payable	\$ 40,193	\$ 6,017	\$ 4,160	\$ -	\$ 2,818	\$ 1,934	\$ -	\$ 55,122
Accrued liabilities	6,313	2,250	786	-	1,596	-	-	10,945
Unearned revenue	-	-	-	-	-	321,938	-	321,938
Total liabilities	46,506	8,267	4,946	-	4,414	323,872	-	388,005
Deferred inflows of resources								
Unavailable revenue	-	-	-	43,863	-	-	-	43,863
Related to lessor activity	321,512	-	-	-	-	-	-	321,512
Total deferred inflows of resources	321,512	-	-	43,863	-	-	-	365,375
Fund balances								
Restricted	-	784,113	509,500	55,412	492,363	388	393,593	2,235,369
Unassigned	1,591,247	-	-	-	-	-	-	1,591,247
Total fund balances	1,591,247	784,113	509,500	55,412	492,363	388	393,593	3,826,616
Total liabilities and fund balance	\$ 1,959,265	\$ 792,380	\$ 514,446	\$ 99,275	\$ 496,777	\$ 324,260	\$ 393,593	\$ 4,579,996

City of Ithaca
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to Net Position of Governmental Activities on the Statement of Net Position
 June 30, 2022

Total fund balance - governmental funds \$ 3,826,616

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add:	Capital assets	4,155,613
Deduct:	Accumulated depreciation	(3,074,488)

Internal service funds are used by management to charge the cost of equipment rents and materials to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Add:	Net position of governmental activities accounted for in the internal service fund	685,726
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Property tax receivable	1,122,926
Add:	Balance of long-term note receivable	43,863

Some liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Add:	Deferred outflow - related to pension	104,659
Deduct:	Deferred inflow - related to pension	(148,044)
Deduct:	Net pension liability	(885,369)
Deduct:	Compensated absences	(44,394)

Total net position - governmental activities	\$ 5,787,108
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City of Ithaca
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	Major Funds						Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Major Street	Local Street	Economic Development	Library	Grant Projects		
Revenues								
Taxes and penalties	\$ 1,114,263	\$ -	\$ -	\$ -	\$ 159,534	\$ -	\$ -	\$ 1,273,797
Licenses and permits	47,117	-	-	-	-	-	-	47,117
State funding	520,149	404,217	132,479	-	7,487	-	-	1,064,332
Federal funding	-	-	-	-	-	260,843	-	260,843
Charges for services	40,267	-	-	-	3,436	-	4,560	48,263
Fines and forfeitures	-	-	-	-	56,033	-	-	56,033
Interest and rentals	106,712	1,404	757	57	4,564	128	655	114,277
Other revenues	157,462	136	496	8,139	6,869	-	920	174,022
Total revenues	1,985,970	405,757	133,732	8,196	237,923	260,971	6,135	3,038,684
Expenditures								
General government	444,208	-	-	-	-	150,843	-	595,051
Public safety	611,256	-	-	-	-	-	9,801	621,057
Public works	222,262	202,008	148,341	-	-	-	-	572,611
Community and economic development	39,341	-	-	-	-	-	-	39,341
Recreation and cultural	99,397	-	-	-	205,568	-	-	304,965
Other expenditures	175,803	-	-	-	-	-	-	175,803
Total expenditures	1,592,267	202,008	148,341	-	205,568	150,843	9,801	2,308,828
Revenues over (under) expenditures	393,703	203,749	(14,609)	8,196	32,355	110,128	(3,666)	729,856
Other financing sources (uses)								
Transfers in - governmental funds	36,108	32,741	122,241	-	-	-	-	191,090
Transfers out - governmental funds	(101,590)	(89,500)	-	-	-	-	-	(191,090)
Transfers out - enterprise fund	-	-	-	-	-	(110,000)	-	(110,000)
Transfers in - component unit	13,630	-	-	-	-	-	-	13,630
Transfers out - component unit	(10,000)	-	-	-	-	-	-	(10,000)
Total other financing sources (uses)	(61,852)	(56,759)	122,241	-	-	(110,000)	-	(106,370)
Net change in fund balances	331,851	146,990	107,632	8,196	32,355	128	(3,666)	623,486
Special item - fire & rescue transfer	-	-	-	-	-	-	(271,405)	(271,405)
Fund balance, beginning of year	1,259,396	637,123	401,868	47,216	460,008	260	668,664	3,474,535
Fund balance, end of year	\$ 1,591,247	\$ 784,113	\$ 509,500	\$ 55,412	\$ 492,363	\$ 388	\$ 393,593	\$ 3,826,616

The notes to the financial statements are an integral part of this statement.

City of Ithaca
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 623,486

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	Capital outlay	29,216
Deduct:	Depreciation expense	(116,307)
Deduct:	Loss on disposal	(8,117)

Internal service funds are used by management to charge the cost of certain activities, such as equipment rents and materials, to individual funds. The net income/expense of the internal service fund is reported with governmental activities.

Deduct:	Net income of internal service fund	(22,069)
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Change in property tax accrual	37,439
Deduct:	Payments of long-term loan receivable	(8,139)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Deduct:	Change in deferred outflow - related to pension	(34,771)
Deduct:	Change in deferred inflow - related to pension	(88,568)
Add:	Change in net pension liability	139,628
Add:	Change in accrual for compensated absences	7,985

Change in net position - governmental activities	\$ 559,783
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City of Ithaca
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Assets		
Cash and cash equivalents	\$ 1,056,567	\$ 211,610
Investments	289,124	-
Accounts receivable	208,433	19,403
Property taxes receivable	239,832	-
Due from other governments	2,125	-
Inventories	68,382	-
Noncurrent assets		
Capital assets not being depreciated	37,621	-
Capital assets being depreciated, net	7,079,057	460,424
Total assets	<u>8,981,141</u>	<u>691,437</u>
Deferred Outflows of Resources		
Related to pension	69,772	-
Liabilities		
Accounts payable	35,883	5,316
Accrued liabilities	3,967	395
Accrued interest	28,713	-
Compensated absences, due within one year	4,097	-
General obligations payable, due within one year	125,000	-
Noncurrent liabilities		
Compensated absences, due beyond one year	23,214	-
General obligations payable, due beyond one year	2,845,000	-
Bond premium, net of amortization	174,923	-
Net pension liability	590,247	-
Total liabilities	<u>3,831,044</u>	<u>5,711</u>
Deferred Inflows of Resources		
Related to pension	98,696	-
Net position		
Net investment in capital assets	3,971,755	460,424
Unrestricted	1,149,418	225,302
Total net position	<u>\$ 5,121,173</u>	<u>\$ 685,726</u>

City of Ithaca
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Operating revenues		
Water and sewer sales	\$ 775,967	\$ -
Penalties and interest charges	10,323	-
Rental revenue	13,420	-
Service charges	-	185,309
Property taxes	237,864	-
State grant	33,753	-
Miscellaneous revenues	15,456	11,830
Total operating revenues	<u>1,086,783</u>	<u>197,139</u>
Operating expenses		
Water		
Personnel services	218,062	-
Contractual services	98,471	-
Supplies	3,613	-
Depreciation	168,411	-
Other expenses	50,851	-
Sewer		
Personnel services	200,728	-
Contractual services	65,190	-
Supplies	23,260	-
Depreciation	98,645	-
Other expenses	33,206	-
Other		
Personnel services	-	50,486
Contractual services	-	2,730
Supplies	-	45,249
Depreciation	-	105,327
Other expenses	-	17,617
Total operating expenses	<u>960,437</u>	<u>221,409</u>
Operating income (loss)	126,346	(24,270)
Nonoperating revenues (expenses)		
Interest revenue	2,693	162
Gain on disposal of capital assets	-	2,039
Transfer in	110,000	-
Other expenses	(106,388)	-
Total nonoperating revenues (expenses)	6,305	2,201
Change in net position	132,651	(22,069)
Net position, beginning of year	<u>4,988,522</u>	<u>707,795</u>
Net position, end of year	<u>\$ 5,121,173</u>	<u>\$ 685,726</u>

City of Ithaca
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Cash flows from operating activities		
Receipts from customers	\$ 798,375	\$ -
Receipts from State	31,628	-
Receipts from interfund charges	-	189,299
Payments to suppliers / outsiders	(321,832)	(64,363)
Payments to employees	(428,533)	(50,800)
Other receipts	246,676	-
Net cash provided by (used in) operating activities	<u>326,314</u>	<u>74,136</u>
Cash flows from noncapital financing activities		
Transfers from other funds	110,000	-
Net cash provided by (used in) noncapital financing activities	<u>110,000</u>	<u>-</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(469,878)	(40,808)
Proceeds from sale of assets	-	2,039
Principal paid on debt	(120,000)	-
Interest and fees paid on debt	(107,288)	-
Net cash provided by (used in) capital and related financing activities	<u>(697,166)</u>	<u>(38,769)</u>
Cash flows from investing activities		
(Purchase)/sale of investments	233,884	-
Interest revenue	2,693	162
Net cash provided by (used in) investing activities	<u>236,577</u>	<u>162</u>
Net increase (decrease) in cash and cash equivalents	(24,275)	35,529
Cash and cash equivalents, beginning of year	<u>1,080,842</u>	<u>176,081</u>
Cash and cash equivalents, end of year	<u>\$ 1,056,567</u>	<u>\$ 211,610</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 126,346	\$ (24,270)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	267,056	105,327
Change in assets and liabilities		
Accounts receivable	(1,335)	(7,840)
Property taxes receivable	(6,644)	-
Due from other governments	(2,125)	-
Inventories	(28,082)	-
Deferred outflows of resources related to pensions	23,181	-
Accounts payable	(3,597)	1,233
Accrued liabilities	(9,281)	(314)
Bond premium, net of amortization	(11,662)	-
Customer deposits	(3,900)	-
Compensated absences	10,397	-
Net pension liability	(93,085)	-
Deferred inflows of resources related to pensions	59,045	-
Net cash provided by operating activities	<u>\$ 326,314</u>	<u>\$ 74,136</u>

City of Ithaca
Statement of Net Position - Fiduciary Funds
June 30, 2022

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 16,837
Total assets	<u>16,837</u>
Liabilities	
Due to other funds	1,000
Total liabilities	<u>1,000</u>
Net position	
Restricted	15,837
Total net position	<u><u>\$ 15,837</u></u>

City of Ithaca
Statement of Changes in Net Position - Fiduciary Funds
June 30, 2022

	<u>Custodial Fund</u>
Additions	
Tax collections for other governments	\$ 4,726,563
Total additions	<u>4,726,563</u>
Deductions	
Payments of taxes to other governments	4,753,809
Total deductions	<u>4,753,809</u>
Change in fiduciary net position	(27,246)
Net position, beginning of year	<u>43,083</u>
Net position, end of year	<u><u>\$ 15,837</u></u>

City of Ithaca
Statement of Net Position - Component Unit
June 30, 2022

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 7,098
Investments	21,356
Total assets	<u>28,454</u>
Liabilities	
Accounts payable	<u>185</u>
Total liabilities	185
Net position	
Unrestricted	<u>28,269</u>
Total net position	<u><u>\$ 28,269</u></u>

City of Ithaca
Statement of Activities - Component Unit
For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Downtown Development Authority				
General government	\$ 7,222	\$ -	\$ -	\$ (7,222)
General Revenues				
Unrestricted investment earnings				63
Transfers in				10,000
Transfers out				(13,630)
Other revenues				7,710
Total general revenues				<u>4,143</u>
Change in net position				(3,079)
Net position, beginning of year				<u>31,348</u>
Net position, end of year				<u>\$ 28,269</u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Ithaca (the City) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City. All amounts shown are in dollars.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

The City is governed by a seven-member City Council which has responsibility and control over all activities related to the City. The City receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financial accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The following component unit is reported within the component unit column in the combined financial statements.

Downtown Development Authority – The Ithaca Downtown Development Authority (the Authority) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of the Mayor and eight individuals appointed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The City is financially accountable for the Downtown Development Authority's activities.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the resources of State revenue sharing of trunkline maintenance revenues, gas and weight tax revenues and local road program revenues that are restricted for use on major streets.
- The Local Street Fund accounts for the resources of State revenue sharing of gas and weight tax revenues and local road program revenues that are restricted for use on local streets.
- The Economic Development Fund accounts for resources used to promote economic development of the City.

- The Library Fund accounts for the resources of library revenues that are restricted for the operations of the City's library.
- The Grant Projects Fund accounts for resources to fund special projects as awarded through local, state and federal grants.

The City reports the following major proprietary funds:

- The Water and Sewer Fund (an Enterprise Fund) accounts for all the activities of the water distribution system and sewage collection system.

The city reports the following non-major governmental funds:

- The Caldwell & Gibbs Memorial Funds account for resources to fund special projects.
- The Cemetery and Fire & Rescue Sinking Funds account for funds that are placed in reserve for future operations and equipment purchases.
- The First Responder Fund accounts for resources used to provide first responder services to residents of the City and surrounding townships.
- The Fire Operating Fund accounts for resources used to provide fire services to residents of the City and surrounding townships.
- The Cemetery Perpetual Care Fund accounts for resources designated for the future ongoing care of the cemetery.

The City reports the following fiduciary funds:

- The custodial fund is custodial in nature and does not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity. These funds are not reported in the City's government-wide financial statements.

Additionally, the City reports the following fund types:

- The Internal service fund accounts for major machinery and equipment purchases, as well as material purchases, provided to other departments of the City on a cost reimbursement basis.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current

period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in the governmental funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before the first day of March of each year, a proposed budget for the next fiscal year is submitted to the budget officer. The budget officer compiles such information and submits it to the City Council, along with recommendations, no later than the second council meeting in April of each year. This operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1st. The Council holds a public hearing on the submitted budget and final budgets are adopted prior to July 1st.

Prior to July 1st, the budget is legally enacted pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978, as amended).

The city treasurer is authorized to transfer budgeted amounts between departments within any fund; however, council must approve any revisions that alter the total expenditures of any fund.

Formal budgetary integration is employed as a management control device during the year.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is at the function level for the General Fund, and the fund level for all other funds.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Investments

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.

City of Ithaca
Notes to the Financial Statements
June 30, 2022

- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventory

Inventory is valued at cost, on a first-in, first-out basis for the City's business-type activities. For all other funds, the City does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are defined by the City as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in process, if any, are not depreciated. The other assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	5 – 15
Buildings and Improvements	10 – 50
Furniture and Equipment	5 – 20
Infrastructure	10 - 20
Vehicles	10
Sewer System	4 – 50
Water System	4 – 50

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category

which relates to pension items reported in the government-wide statement of net position. The deferred amounts related to pension relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which relates to pension items reported in the government-wide statement of net position. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

The City also reports unavailable revenues from two sources: notes receivable and lessor activity. The notes receivable amount is a long-term receivable recorded in the economic development fund, revenue from which will be recognized as received. The lessor activity amounts are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lessor: The City is a lessor for various noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly

affect the amount of the lease receivable.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable from or are either legally or contractually required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City County prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the City Council adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The City Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax Revenue

The City's property tax is levied on August 1st and December 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st.

Although the City's ad valorem tax is levied and collectible on August 1st and December 1st, it is the City's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2021 taxable valuation of property located in the City for operating and water/sewer debt purposes totaled \$65.1 million on which ad valorem taxes levied consisted of 13.9468 mills for operating, 1.4976 mills for emergency service, 0.9984 for sidewalk repairs and 3.0000 mills for water/sewer debt service.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other funds for equipment rental. Operating expenses for the internal service fund include costs for personnel, supplies, depreciation, and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

The City utilizes a pooled cash and investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of year-end, the City had deposits and investments subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of year-end, \$2,231,707 of the City's bank balance of \$3,586,621 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the

City of Ithaca
Notes to the Financial Statements
June 30, 2022

possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest rate risk: In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Investment Type	Fair Value	Weighted Average Maturity
Total Primary Government		
MILAF External Investment pool-Michigan Class	2,033,749	N/A
Total Component Unit		
MILAF External Investment pool-Michigan Class	21,356	N/A
Total	<u>2,055,105</u>	
One day maturity equals 0.0027, one year equals 1		

Concentration of credit risk: The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Standard & Poor's Rating	Rating Agency
Total Primary Government			
MILAF External Investment pool-Michigan Class	2,033,749	AAAm	Standard & Poor's
Total Component Unit			
MILAF External Investment pool- Michigan Class	<u>21,356</u>	AAAm	Standard & Poor's
Total	<u>2,055,105</u>		

Foreign currency risk: The City is not authorized to invest in investments which have this type of risk.

Fair value measurement: The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used.

City of Ithaca
Notes to the Financial Statements
June 30, 2022

Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the City is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX class) fund requires notification of redemption prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

Investment Type	Amortized Cost
Total Primary Government	
MILAF External Investment pool-Cash Management Class	2,033,749
Total Component Unit	
MILAF External Investment pool-MIMAX	<u>21,356</u>
Total	<u>2,055,105</u>

The following summarizes the categorization of these amounts as of year-end:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
Cash and cash equivalents	2,506,770	1,056,567	3,563,337	7,098
Investments	1,744,625	289,124	2,033,749	21,356
Totals	4,251,395	1,345,691	5,597,086	28,454

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Fund and Description	Amount
General Fund – State of Michigan Revenue Sharing	69,458
Major Street Fund – State of Michigan Act 51	65,318
Local Street Fund – State of Michigan Act 51	17,969
Water and Sewer Fund – Wellhead Protection Grant	2,125
Total	154,870

No allowance for doubtful accounts is considered necessary based on previous experience.

City of Ithaca
Notes to the Financial Statements
June 30, 2022

NOTE 4 - CAPITAL ASSETS

A summary of changes in the City's Governmental Activities capital assets follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	181,681	-	-	-	181,681
Total capital assets not being depreciated	181,681	-	-	-	181,681
Capital assets being depreciated					
Land Improvements	379,913	-	-	-	379,913
Buildings and Improvements	2,361,502	29,216	(48,704)	-	2,342,014
Furniture and Equipment	1,911,900	47,109	(468,954)	-	1,490,055
Infrastructure	453,153	-	-	-	453,153
Vehicles	1,739,798	-	(822,160)	-	917,638
Total capital assets being depreciated	6,846,266	76,325	(1,339,818)	-	5,582,773
Accumulated depreciation	(4,847,844)	(221,634)	846,573	-	(4,222,905)
Capital assets being depreciated, net	1,998,422	(145,309)	(493,245)	-	1,359,868
Net capital assets	2,180,103	(145,309)	(493,245)	-	1,541,549

A summary of changes in the City's Business-Type Activities capital assets follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	37,621	-	-	-	37,621
Construction in Process	20,355	-	-	(20,355)	-
Total capital assets not being depreciated	57,976	-	-	(20,355)	37,621
Capital assets being depreciated					
Furniture and Equipment	6,775	-	-	-	6,775
Water System	8,135,341	21,363	-	20,355	8,177,059
Sewer System	4,197,465	448,515	(40,500)	-	4,605,480
Total capital assets being depreciated	12,339,581	469,878	(40,500)	20,355	12,789,314
Accumulated Depreciation	(5,483,701)	(267,056)	40,500	-	(5,710,257)
Capital assets being depreciated, net	6,855,880	202,822	-	20,355	7,079,057
Net capital assets	6,913,856	202,822	-	-	7,116,678

City of Ithaca
Notes to the Financial Statements
June 30, 2022

Capital assets not being depreciated include land and construction in process. Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	Amount
General Government	50,150
Public Works	5,959
Recreation and Cultural	25,772
Community and Economic Development	34,426
Internal Service Fund	105,327
Total Governmental Activities	221,634

Business-Type Activities	Amount
Water	168,411
Sewer	98,645
Total Business-Type Activities	267,056

The City is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the City has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 5 - LONG-TERM DEBT

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premiums during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on long-term debt	186,585	-	(11,662)	174,923

Long-term debt

The City's long-term debt as of year-end is as follows:

General obligation bonds:	Amount
2016 general obligation refunding bonds due in annual installments of \$100,000 to \$275,000 through April, 2037 with an interest rate from 2.00% to 3.50%.	2,970,000
Total general obligation bonds:	2,970,000

Compensated Absences - City policy allows employees to accumulate vacation at the rate of ½ day per month for the first 4 years of service and 1 day per month thereafter. Additional days of vacation are awarded on the employee's anniversary date after 4, 8, 15 and 20 years of service. Amounts accumulated up to a maximum of 25 days for city employees are to be paid to the employee and recognized as an expense either when vacations are taken or upon termination of employment. Vacation pay liability at year-end was \$41,659. City policy also allows employees to accumulate one sick leave day per month with a maximum accumulation of 60 days or 75 days, depending on employee hire date. Sick leave expenses are recognized at the time the days are used, or upon termination of employment. Upon termination of employment, with the exception of gross misconduct, 100% or 50% of accumulated sick pay, up to a maximum of 60 days, will be paid to the employee, depending on their date of hire. Sick leave pay liability at year-end was \$30,046. Total compensated absences as of year-end equals \$71,705.

City of Ithaca
Notes to the Financial Statements
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Enterprise Fund Bonds - During 2016 the City issued \$3,600,000 of general obligation refunding bonds to provide for the current refunding of the general obligation bonds issued in 2007. These bonds are due in annual installments ranging from \$100,000 to \$275,000 through April 2037, with interest ranging from 2.0% to 3.50% per annum.

As a result, the 2007 bonds refunded are considered to be defeased and the liability has been removed from the enterprise fund. The net carrying amount of the old debt exceeded the reacquisition price by \$125,000. This current refunding was undertaken to reduce total debt service payments over the next 21 years by \$449,540 and resulted in an economic gain of \$313,633.

Long-term debt activity for the year was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Government-Wide					
Compensated Absences	52,379	2,491	(10,476)	44,394	6,659
Business-Type					
Compensated Absences	16,914	12,934	(2,537)	27,311	4,097
General Obligation Bonds	3,090,000	-	(120,000)	2,970,000	125,000
Total Business-Type	3,106,914	12,934	(122,537)	2,997,311	129,097

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2023	125,000	114,850
2024	135,000	111,100
2025	145,000	105,700
2026	155,000	99,900
2027	165,000	93,700
2028-2032	995,000	360,300
2033-2037	1,250,000	143,026
Total long-term debt	2,970,000	1,028,576

NOTE 6 – PENSION PLAN – AGENT MULTIPLE-EMPLOYER PLAN

Summary of Significant Accounting Policies

Pensions: For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description: The City of Ithaca's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945. It is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

City of Ithaca
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Benefits Provided

The City of Ithaca offers the following plans based on the employee's division classification. All plans are closed to new hires.

01 – General Division: Closed to new hires

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 6 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 12/1/1970)

02 – Police Division: Closed to new hires

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 10 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 12/1/1970)

10 - DPW Union: Closed to new hires

Benefit Multiplier: 2.00% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 10 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 1/1/2006)

Employees Covered By Benefit Terms

As of the December 31, 2021 Valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>2</u>
Total	24

The City's Defined Benefit plans are closed to new hired employees. All new eligible employees participate in its Defined Contribution retirement plan.

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may, and has, established contribution rates to be paid by its covered employees. Due to the

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Notes to the Financial Statements
June 30, 2022

plan divisions being closed to new employees, the City's contribution rates are based on a flat rate valuation of annual payroll and not a percentage of the annual payroll. The minimum combined annual contribution amount for all divisions in the plan was \$300,864. The City made contributions in the amount of \$348,927 with the additional being applied to its unfunded accrued liability.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 7.35%, net of investment and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5% annually.

Mortality rates used were based on a version of the Pub-2010 annual mortality tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study conducted of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of 7.35% by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and range of allocation allowed, as set by the MERS Board of Directors, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
	100.00%		7.35%		4.85%

The assets are invested with a strategic, long-term perspective and a high degree of prudence to reduce risk by identifying investments that meet or beat the annual actuarial investment assumption of 7.35% on a long-term basis, maintaining adequate liquidity to pay promised benefits, adopting a strategic asset allocation plan that reflects current and future liabilities, minimizes volatility and seeks to exceed the annual actuarial investment assumption, minimizes the costs associated with the implementation of the asset allocation through the efficient use of internal and external resources, maintaining above median peer rankings for the 10-year time period and meets or exceeds the return of the portfolio's policy benchmark.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for 2021. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the

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pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in net pension liability	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at 01/01/2021	4,781,871	3,073,542	1,708,329
Changes for the year			
Service cost	19,608	-	19,608
Interest on total pension liability	348,476	-	348,476
Changes in benefits	-	-	-
Difference between expected and actual experience	89,298	-	89,298
Changes in assumptions	149,864	-	149,864
Employer contributions	-	406,879	(406,879)
Employee contributions	-	5,825	(5,825)
Net investment income	-	432,199	(432,199)
Benefit payments, including employee refunds	(412,928)	(412,928)	-
Administrative expense	-	(4,945)	4,945
Other changes	(1)	-	(1)
Net changes	194,317	427,030	(232,713)
Balances as of 12/31/2021	4,976,188	3,500,572	1,475,616

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/2021	1,475,616	1,475,616	1,475,616
Change in Net Pension Liability (NPL)	477,133	-	(407,561)
Calculated Net Pension Liability	1,952,749	1,475,616	3,428,365
Note:	the current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.		

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the City recognized pension expense of \$321,779. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	-	246,740
Contributions Subsequent to 12/31/2021*	174,431	-
Totals	174,431	246,740

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*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2023.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Plan year ended	Amount
2022	(36,225)
2023	(98,823)
2024	(69,781)
2025	(41,911)
Total	(246,740)

Payables to the Municipal Employees Retirement System (MERS) of Michigan Plan

At year end the City is current on all required pension plan payments and amounts payable to the plan were \$0.

MERS Defined Contribution Plan

Plan Description

In January of 2005, the City adopted and now participates in the MERS Uniform Defined Contribution Program; a 401(a) plan.

Eligibility

All new-hired full-time employees of the City are eligible to participate in the plan. As of year-end, the plan's current membership was 11 active and 5 terminated members.

A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Contributions

Participants contribute between 1% - 5% of their annual salary. The City matches participant contribution percentages, plus one additional percentage. City contributions, therefore, range between 2% - 6% of each participant's annual salary. Participants are 100% vested in the employer contributions after five years of service with the City or at age 55 whichever occurs first.

During the year, the actual contributions to the plan (reduced by forfeitures of \$0) amounted to \$62,563, which includes \$34,131 of employer contributions, and \$28,432 of employee contributions. The outstanding liability to the plan at year-end was \$0.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of the governmental activities net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	181,681
Capital asset being depreciated, net	1,359,868
Net investment in capital assets	1,541,549

City of Ithaca
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As of June 30th, the composition of the business-type activities net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	37,621
Capital asset being depreciated, net	7,079,057
Capital related general obligation bonds	(2,970,000)
Unamortized premium/discount on bond refunding	(174,923)
Net investment in capital assets	3,971,755

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 9 – TRANSFERS

Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General	49,738	111,590
Major Street	32,741	89,500
Local Street	122,241	-
Grant Projects	-	110,000
Water and Sewer	110,000	-
Downtown Development Authority	-	3,630
Total Interfund Transfers	314,720	314,720

Transfers are used to provide resources from unrestricted general fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Street fund is allowed, under Public Act 51, to share a portion of its Gas and Weight Tax revenues with the Local Street fund if the municipality has a street asset management program in place. The city does have this program and therefore the Major Street fund transferred 25% of the Act 51 funds to the Local Street fund.

The General Fund collected and transferred millage funds for sidewalk repairs/replacement as voted on by the electors of the City, to the Major and Local Street Funds. It also transferred to and received transferred funds from the Component Unit (Downtown Development Authority) for the purpose of general operations. The final transfer amounts were due to the incorporation of the Cemetery Fund as a department of the General Fund due to not being able to exist as an independent fund.

The Water/Sewer fund received funds from the Grant Program fund to help with the purchase of a new sewer vactor truck.

Also noted in the financial statements is a *Special Item -Fire and Rescue Transfer*. These transfers were made to transfer the fire and rescue assets to the Gratiot Emergency Services Authority, a newly formed (elected) authority which the city and former contracted townships now have membership. See Note 13 for detail.

NOTE 10 - TAX ABATEMENTS

The City of Ithaca has Five Industrial Districts, one which is an Agricultural Industrial Park. They were built to attract companies to the city for job creation and growth of the city. It also has a Downtown Development Authority which works with the City to encourage economic development in the Commercial district. In order to achieve this industrial and commercial economic vitality and rehabilitation of older downtown buildings, the city offers tax abatements as allowed by Michigan law. To have an abatement awarded, the owner must make

City of Ithaca
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application to the city which requires presentation of the work to be done, the number of jobs to be created and retained, investment contribution and the number of years requested for the abatement. To date, the City has awarded abatements under Michigan Public Act PA146 of 2000 for Obsolete Property Rehabilitation, under Public Act 198 of 1974 for Industrial Facilities Tax and under Public Act 376 of 1996 for Renaissance Zones.

The City of Ithaca has historically approved abatements for 12 years for Real Property (brick and mortar) and 7 years for Personal Property (machine and equipment) and has also approved lesser years with a contingent renewal period for the full allowable term if conditions promised are being met. If approved, the applicant enters into an agreement with the city in which the city promises to forgo tax revenues and the applicant promises to contribute to economic development through growing the business and/or by job creation or some other benefit to the city or its residents. All applications are subject to a public hearing in front of the City Council before the decision to approve or decline is made. The city is allowed to approve abatements in total, up to 5% of its tax base. Should it exceed that limit, the State of Michigan is notified, via the approving Resolution, and has the final approval as to if the abatement is allowed. As discussed in the Management Discussion & Analysis, Zeeland Farm Services received an agricultural Renaissance Zone abatement as part of the development package from the State of Michigan.

In 2021, the City of Ithaca had seven companies receiving IFT abatements and one company receiving a Renaissance Zone abatement. The combined values of the lost revenue from these abated properties are disclosed below, with total loss of revenue due to the abatements being equal to \$202,237.12. Information on individual abatements is available from the City's Treasurer.

CITY OF ITHACA - 2021 Tax Abatements						
TAXING UNIT	TOTAL TAXABLE VALUE	TAXABLE VALUE w/o Abatement	MILLAGE RATE	TAXES LEVIED 2021 TAX ROLL	TAXES IF NOT ABATED	AMOUNT OF LOSS DUE TO ABATEMENT
Post 1994						
CITY OPERATING	\$1,571,330		6.97340	\$10,957.46	\$21,914.92	(\$10,957.46)
WATER/SEWER DEBT	\$1,571,330		1.50000	\$2,356.97	\$4,713.92	(\$2,356.97)
EMERGENCY SERVICES	\$1,571,330		0.74880	\$1,176.57	\$2,353.15	(\$1,176.57)
CITY SIDEWALKS	\$1,571,330		0.49920	\$784.37	\$1,568.74	(\$784.37)
ADMIN FEE				\$152.75	\$305.51	(\$152.75)
TOTAL 2021 SUMMER TAX COLLECTION FOR IFT'S - POST 1994				\$15,428.11	\$30,856.23	(\$15,428.11)
IFT Rehab						
CITY OPERATING	\$43,500	\$175,800	13.94680	\$606.69	\$2,451.85	(\$1,845.16)
WATER/SEWER DEBT	\$43,500	\$175,800	3.00000	\$130.50	\$527.40	(\$396.90)
EMERGENCY SERVICES	\$43,500	\$175,800	1.49760	\$65.15	\$263.28	(\$198.13)
CITY SIDEWALKS	\$43,500	\$175,800	0.99840	\$43.43	\$175.52	(\$132.09)
ADMIN FEE				\$8.46	\$34.18	(\$25.72)
Total 2021 SUMMER TAX COLLECTION FOR IFT REHAB				\$854.22	\$3,452.22	(\$2,598.01)
OPRA Rehab						
CITY OPERATING	\$96,270	\$158,600	13.94680	\$1,342.64	\$2,211.96	(\$869.32)
WATER/SEWER DEBT	\$96,270	\$158,600	3.00000	\$288.81	\$475.80	(\$186.99)
EMERGENCY SERVICES	\$96,270	\$158,600	1.49760	\$144.16	\$237.52	(\$93.36)
CITY SIDEWALKS	\$96,270	\$158,600	0.99840	\$96.10	\$158.35	(\$62.25)
ADMIN FEE				\$18.72	\$30.84	(\$12.12)
Total 2021 SUMMER TAX COLLECTION FOR IFT REHAB				\$1,890.43	\$3,114.46	(\$1,224.04)
Renaissance Zone						
CITY OPERATING	\$0	\$11,018,511	13.94680	\$0.00	\$153,672.97	(\$153,672.97)
WATER/SEWER DEBT	\$11,018,511	\$11,018,511	3.00000	\$33,055.52	\$33,055.52	\$0.00
EMERGENCY SERVICES	\$0	\$11,018,511	1.49760	\$0.00	\$16,501.32	(\$16,501.32)
CITY SIDEWALKS	\$0	\$11,018,511	0.99840	\$0.00	\$11,000.88	(\$11,000.88)
ADMIN FEE				\$330.53	\$2,142.31	(\$1,811.78)
TOTAL 2021 SUMMER TAX COLLECTION FOR REN ZONE				\$33,386.06	\$216,373.02	(\$182,986.96)
TOTAL 2021 SPECIAL ACTS SUMMER TAX COLLECTION				\$51,558.81	\$253,795.94	(\$202,237.12)

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the City implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a lessee, there was no material impact on the City's financial statement after the adoption of GASB Statement 87. However, as discussed below, as a lessor, there was a material impact on the City's financial statement after the adoption of GASB Statement 87

NOTE 12 - LEASE RECEIVABLE

During 2022, the City began leasing building space at 122 Maple Street to a third-party. The lease is for one years, with an option to extend for another year. The City will receive monthly payments between \$700 - \$770. The City recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the City's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

During 2022, the City began leasing building space at 130 West Center Street to a third-party. The lease is for 5 years. The City will receive monthly payments of \$425. The City recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the City's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

During 2014, the City began leasing water tower space to a third-party. The lease is for ten years, with an option to extend for another ten years. The City will receive monthly payments between \$216 - \$243. The City recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the City's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

During 2021, the City began leasing water tower space (east) to a third-party. The lease is for 11 months, with an option to extend for another 5 years. The City will receive monthly payments between \$2,705 - \$3,218. The City recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the City's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

During 2022, the City began leasing water tower space (west) to a third-party. The lease is for 5 months, with an option to extend for another 7 years. The City will receive monthly payments between \$744 - \$1,518. The City recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the City's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

City of Ithaca
Notes to the Financial Statements
June 30, 2022

The balances for leases receivable and related deferred inflows as of year-end are shown below:

Description of Lease	Received during current fiscal year		Remaining amount as of year-end	
	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflows
Building Lease -122 Maple St	8,661	386	12,672	12,270
Building Lease-130 W Center St	4,799	497	19,394	19,198
Water Tower Space	2,392	571	23,959	23,522
Water Tower Space – East	35,212	4,311	172,782	167,258
Water Tower Space - West	14,890	2,492	102,607	99,264
Total	65,954	8,257	331,414	321,512

NOTE 13 – SPECIAL ITEM – TRANSFER OF FIRE AND RESCUE

On July 1, 2021, the City transferred the assets and liabilities comprising its fire and rescue service operations to the Gratiot Emergency Services Authority (GESA) for the purpose of enhancing emergency fire and rescue services. As a result of the transfer, the City recognized a loss of \$750,232 on the disposal of its fire and rescue service operations as a special item. The City's 2022 expenses related to its fire service operations and first responder operations totaled approximately \$6,769 and \$3,032, respectively. 2022 revenues associated with the City's fire and rescue service operations, consisting of both program and general revenues, totaled approximately \$57. Expenditures of the fire and rescue services operations reported in the general fund were \$85,480 and \$44,936, respectively. Revenues of both the fire and rescue services operations reported in the general fund were \$0.

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the City's fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION



City of Ithaca
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$ 1,119,245	\$ 1,119,245	\$ 1,114,263	\$ (4,982)
Licenses and permits	51,350	51,350	47,117	(4,233)
State grants	366,662	469,162	520,149	50,987
Charges for services	35,450	40,350	40,267	(83)
Interest and rentals	85,014	103,485	106,712	3,227
Other revenues	84,050	133,550	157,462	23,912
Total revenues	1,741,771	1,917,142	1,985,970	68,828
Expenditures				
General government	622,427	512,310	444,208	68,102
Public safety	633,036	613,202	611,256	1,946
Public works	229,051	239,334	222,262	17,072
Community and economic development	39,547	41,572	39,341	2,231
Recreation and cultural	115,320	110,320	99,397	10,923
Other expenditures	178,797	175,803	175,803	-
Total expenditures	1,818,178	1,692,541	1,592,267	100,274
Revenues over (under) expenditures	(76,407)	224,601	393,703	169,102
Other financing sources (uses)				
Transfers in	120,000	36,108	36,108	-
Transfers in - component unit	13,630	13,630	13,630	-
Transfers out - component unit	(10,000)	(10,000)	(10,000)	-
Transfers out	(102,708)	(102,708)	(101,590)	1,118
Total other financing sources (uses)	20,922	(62,970)	(61,852)	1,118
Net change in fund balance	(55,485)	161,631	331,851	170,220
Fund balance, beginning of year	1,259,396	1,259,396	1,259,396	-
Fund balance, end of year	\$ 1,203,911	\$ 1,421,027	\$ 1,591,247	\$ 170,220

City of Ithaca
 Budgetary Comparison Schedule - Major Street Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State grants	\$ 396,086	\$ 396,086	\$ 404,217	\$ 8,131
Interest and rentals	3,000	3,000	1,404	(1,596)
Other revenues	1,000	1,000	136	(864)
Total revenues	400,086	400,086	405,757	5,671
Expenditures				
Public works	323,749	355,931	202,008	153,923
Revenues over (under) expenditures	76,337	44,155	203,749	159,594
Other financing sources (uses)				
Transfers in	33,300	33,300	32,741	(559)
Transfers out	(89,500)	(89,500)	(89,500)	-
Total other financing sources (uses)	(56,200)	(56,200)	(56,759)	(559)
Net change in fund balance	20,137	(12,045)	146,990	159,035
Fund balance, beginning of year	637,123	637,123	637,123	-
Fund balance, end of year	\$ 657,260	\$ 625,078	\$ 784,113	\$ 159,035

City of Ithaca
 Budgetary Comparison Schedule - Local Street Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State grants	\$ 129,389	\$ 129,389	\$ 132,479	\$ 3,090
Interest and rentals	2,000	2,000	757	(1,243)
Other revenues	-	-	496	496
Total revenues	131,389	131,389	133,732	2,343
Expenditures				
Public works	209,370	209,370	148,341	61,029
Revenues over (under) expenditures	(77,981)	(77,981)	(14,609)	63,372
Other financing sources (uses)				
Transfers in	122,800	122,800	122,241	(559)
Net change in fund balance	44,819	44,819	107,632	62,813
Fund balance, beginning of year	401,868	401,868	401,868	-
Fund balance, end of year	\$ 446,687	\$ 446,687	\$ 509,500	\$ 62,813

City of Ithaca
 Budgetary Comparison Schedule - Economic Development Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Interest and rentals	\$ 100	\$ 100	\$ 57	\$ (43)
Other revenues	9,639	9,639	8,139	(1,500)
Total revenues	9,739	9,739	8,196	(1,543)
Expenditures				
Community and economic development	-	-	-	-
Revenues over (under) expenditures	9,739	9,739	8,196	(1,543)
Fund balance, beginning of year	47,216	47,216	47,216	-
Fund balance, end of year	\$ 56,955	\$ 56,955	\$ 55,412	\$ (1,543)

City of Ithaca
 Budgetary Comparison Schedule - Library Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$ 120,000	\$ 159,000	\$ 159,534	\$ 534
State grants	6,500	6,500	7,487	987
Charges for services	4,125	4,125	3,436	(689)
Fines and forfeits	52,000	52,000	56,033	4,033
Interest and rentals	6,500	6,500	4,564	(1,936)
Other revenues	3,250	3,250	6,869	3,619
Total revenues	192,375	231,375	237,923	6,548
Expenditures				
Recreation and cultural	191,775	210,691	205,568	5,123
Revenues over (under) expenditures	600	20,684	32,355	11,671
Fund balance, beginning of year	460,008	460,008	460,008	-
Fund balance, end of year	\$ 460,608	\$ 480,692	\$ 492,363	\$ 11,671

City of Ithaca
 Budgetary Comparison Schedule - Grant Projects Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal funding	\$ 135,000	\$ 495,339	\$ 260,843	\$ (234,496)
Interest and rentals	-	-	128	128
Total revenues	135,000	495,339	260,971	(234,368)
Expenditures				
General government	90,000	151,225	150,843	382
Excess of revenues over (under) expenditures	45,000	344,114	110,128	(233,986)
Other financing sources (uses)				
Transfers out - enterprise fund	-	(110,000)	(110,000)	-
Total other financing sources (uses)	-	(110,000)	(110,000)	-
Revenues over (under) expenditures	45,000	234,114	128	(233,986)
Fund balance, beginning of year	260	260	260	-
Fund balance, end of year	\$ 45,260	\$ 234,374	\$ 388	\$ (233,986)

City of Ithaca
Required Supplemental Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Plan years ending				
	2014	2015	2016	2017	2018
Total Pension Liability (TPL)					
Service Cost	22,097	22,158	23,731	19,110	20,002
Interest	334,991	335,619	348,062	351,659	346,137
Changes of Benefit Terms	-	-	-	-	-
Difference between expected & actual experienc	-	56,022	45,090	(45,573)	63,500
Changes of assumptions	-	225,895	-	-	-
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)
Other	-	-	(2)	(2)	(1)
Net Change in Total Pension Liability	12,268	285,482	55,465	(52,607)	18,111
Total Pension Liability beginning	4,221,863	4,234,131	4,519,613	4,575,078	4,522,471
Total Pension Liability ending	4,234,131	4,519,613	4,575,078	4,522,471	4,540,582
Fiduciary Net Position					
Contributions-employer	125,664	139,944	169,269	194,700	383,952
Contributions-employee	9,220	8,557	8,896	8,141	7,113
Net Investment income	168,684	(38,107)	269,761	322,962	(100,992)
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)
Administrative expense	(6,147)	(5,702)	(5,331)	(5,129)	(5,048)
Net Change in Fiduciary Net Position	(47,399)	(249,520)	81,179	142,873	(126,502)
Fiduciary Net Position beginning	2,735,571	2,688,172	2,438,652	2,519,831	2,662,704
Fiduciary Net Position ending	2,688,172	2,438,652	2,519,831	2,662,704	2,536,202
Net Pension Liability (NPL)	1,545,959	2,080,961	2,055,247	1,859,767	2,004,380
Fiduciary Net Position as a % of the TPL	63%	54%	55%	59%	56%
Covered Employee Payroll	181,796	182,060	189,274	144,643	151,337
NPL as a % of covered employee payroll	850%	1143%	1086%	1286%	1324%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year. GASB 68 was implemented in fiscal year June 30, 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History". For the 2021 actuarial valuation, the long-term investment return is assumed to be 7.00% annually, net of administrative and investment expenses. This assumption was first used for the December 31, 2021 actuarial valuations.

City of Ithaca
Required Supplemental Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Plan years ending		
	2019	2020	2021
Total Pension Liability (TPL)			
Service Cost	17,228	18,409	19,608
Interest	348,127	335,614	348,476
Changes of Benefit Terms	-	-	-
Difference between expected & actual experienc	(45,828)	99,806	89,298
Changes of assumptions	143,955	123,367	149,864
Benefit payments including employee refunds	(395,198)	(404,191)	(412,928)
Other	-	-	(1)
Net Change in Total Pension Liability	<u>68,284</u>	<u>173,005</u>	<u>194,317</u>
Total Pension Liability beginning	<u>4,540,582</u>	<u>4,608,866</u>	<u>4,781,871</u>
Total Pension Liability ending	4,608,866	4,781,871	4,976,188
Fiduciary Net Position			
Contributions-employer	395,913	249,858	406,879
Contributions-employee	6,661	5,730	5,825
Net Investment income	338,019	352,047	432,199
Benefit payments including employee refunds	(395,198)	(404,191)	(412,928)
Administrative expense	(5,817)	(5,682)	(4,945)
Net Change in Fiduciary Net Position	<u>339,578</u>	<u>197,762</u>	<u>427,030</u>
Fiduciary Net Position beginning	<u>2,536,202</u>	<u>2,875,780</u>	<u>3,073,542</u>
Fiduciary Net Position ending	2,875,780	3,073,542	3,500,572
Net Pension Liability (NPL)	1,733,086	1,708,329	1,475,616
Fiduciary Net Position as a % of the TPL	62%	64%	70%
Covered Employee Payroll	117,518	121,916	123,943
NPL as a % of covered employee payroll	1475%	1401%	1191%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year. GASB 68 was implemented in fiscal year June 30, 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History". For the 2021 actuarial valuation, the long-term investment return is assumed to be 7.00% annually, net of administrative and investment expenses. This assumption was first used for the December 31, 2021 actuarial valuations.

City of Ithaca
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Employer Contributions

	Fiscal years ending				
	2013	2014	2015	2016	2017
Actuarial Determined Contributions	87,930	97,398	112,824	132,972	149,790
Contributions in relation to the actuarially determined contribution	97,626	117,045	135,276	144,612	154,968
Contribution deficiency (excess)	(9,696)	(19,647)	(22,452)	(11,640)	(5,178)
Covered Employee Payroll	357,005	223,500	181,796	182,060	189,274
Contributions as a Percentage of Covered Employee Payroll	27%	52%	74%	79%	82%

Notes to Schedule of Contributions

Valuation Date

December 31, 2021

Notes

Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	Age 60 or Age 55 with 25 years of service
Mortality	A version of Pub-2010 annual mortality tables

Previous actuarial methods and assumptions:

*Actuarially Determined Contributions are found in the actuarial valuation in Table 1 of the MERS Annual Valuation.

Above dates are based on fiscal year, not necessarily the measurement date.

Note that these are employer contributions not employee contributions.

City of Ithaca
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Employer Contributions

	Fiscal years ending				
	2018	2019	2020	2021	2022
Actuarial Determined Contributions	184,356	222,828	236,580	258,708	300,864
Contributions in relation to the actuarially determined contribution	194,700	383,472	396,651	364,168	348,864
Contribution deficiency (excess)	(10,344)	(160,644)	(160,071)	(105,460)	(48,000)
Covered Employee Payroll	144,643	151,337	117,518	113,057	130,660
Contributions as a Percentage of Covered Employee Payroll	135%	253%	338%	322%	267%

Notes to Schedule of Contributions

Valuation Date

December 31, 2021

Notes

Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
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Investment rate of return	7.00%
Retirement age	Age 60 or Age 55 with 25 years of service
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Previous actuarial methods and assumptions:

*Actuarially Determined Contributions are found in the actuarial valuation in Table 1 of the MERS Annual Valuation.

Above dates are based on fiscal year, not necessarily the measurement date.

Note that these are employer contributions not employee contributions.

OTHER SUPPLEMENTARY INFORMATION



City of Ithaca
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue Funds						Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Fire & Rescue Sinking	First Responder	Fire Operating	Cemetery Perpetual	
Assets								
Cash and cash equivalents	\$ 93,157	\$ 114,248	\$ 16,649	\$ -	\$ -	\$ -	\$ 32,442	\$ 256,496
Investments	-	137,097	-	-	-	-	-	137,097
Total assets	\$ 93,157	\$ 251,345	\$ 16,649	\$ -	\$ -	\$ -	\$ 32,442	\$ 393,593
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-
Fund balance								
Restricted	93,157	251,345	16,649	-	-	-	32,442	393,593
Total fund balance	93,157	251,345	16,649	-	-	-	32,442	393,593
Total liabilities and fund balance	\$ 93,157	\$ 251,345	\$ 16,649	\$ -	\$ -	\$ -	\$ 32,442	\$ 393,593

City of Ithaca
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds						Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Fire & Rescue Sinking	First Responder	Fire Operating	Cemetery Perpetual	
Revenues								
Charges for services	\$ -	\$ -	\$ 4,560	\$ -	\$ -	\$ -	\$ -	\$ 4,560
Interest and rentals	93	417	18	30	34	23	40	655
Other revenues	-	-	-	-	-	-	920	920
Total revenues	93	417	4,578	30	34	23	960	6,135
Expenditures								
Public safety	-	-	-	-	3,032	6,769	-	9,801
Total expenditures	-	-	-	-	3,032	6,769	-	9,801
Revenues over (under) expenditures	93	417	4,578	30	(2,998)	(6,746)	960	(3,666)
Other financing sources (uses)								
Transfers out - enterprise fund	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	93	417	4,578	30	(2,998)	(6,746)	960	(3,666)
Special item - transfer of fire & rescue	-	-	-	(64,509)	(122,425)	(84,471)	-	(271,405)
Fund balance, beginning of year	93,064	250,928	12,071	64,479	125,423	91,217	31,482	668,664
Fund balance, end of year	\$ 93,157	\$ 251,345	\$ 16,649	\$ -	\$ -	\$ -	\$ 32,442	\$ 393,593



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Ithaca

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ithaca (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
November 29, 2022



Communication with Those Charged with Governance at the Conclusion of the Audit

To the City Council
City of Ithaca

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. The City changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87 Leases. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 12 - Change In Accounting Principle. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuation of the pension plan are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board and management of City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Roslund, Prestage & Company, P.C.
Certified Public Accountants